#### **EN BANC**

[G.R. No. 103068. June 22, 2001]

MEAT PACKING CORPORATION OF THE PHILIPPINES, petitioner, vs. THE HONORABLE SANDIGANBAYAN, THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT and PHILIPPINE INTEGRATED MEAT CORPORATION, respondents.

### DECISION

#### YNARES-SANTIAGO, J.:

This is a petition for *certiorari*, *mandamus* and prohibition, assailing the Resolutions of the Sandiganbayan in Civil Case No. 0024, dated July 2, 1991 and November 29, 1991, directing petitioner to accept the tender of payment of rentals by the Presidential Commission on Good Government (hereinafter, PCGG).

Petitioner Meat Packing Corporation of the Philippines (hereinafter, MPCP), is a corporation wholly owned by the Government Service Insurance System (GSIS). It is the owner of three (3) parcels of land situated in Barrio Ugong, Pasig City, as well as the meat processing and packing plant thereon. On November 3, 1975, MPCP and the Philippine Integrated Meat Corporation (hereinafter, PIMECO) entered into an Agreement whereby MPCP leased to PIMECO, under a lease-purchase arrangement, its aforesaid property at an annual rental rate of P1,375,563.92, payable over a period of twenty-eight years commencing on the date of execution of the Agreement, or for a total consideration of P38,515,789.87. The Agreement contained rescission clauses, to wit:

5. If for any reason whatsoever the LESSEE-VENDEE should fail or default in the payment of rentals equivalent to the cumulative sum total of three (3) annual installments, this Agreement shall be deemed automatically cancelled and forfeited without need of judicial intervention, and LESSOR-VENDOR shall have the complete and absolute power, authority, and discretion, and without reservation by the LESSEE-VENDEE, to dispose of, sell, transfer, convey, lease, assign, or encumber the project to any person or persons, natural or juridical, in the same manner as if this lease-purchase arrangement was never entered into. In the event of such cancellation or forfeiture, the LESSEE-VENDEE unconditionally agrees that all forms of money paid or due from the LESSEE-VENDEE shall be considered as rentals for the use and occupancy of the project, and the LESSEE-VENDEE hereby waives and forfeits all rights to ask for and demand the return or reimbursement thereof. [2]

#### XXX XXX XXX.

16. Violation of any of the terms and conditions of this Agreement shall be sufficient ground for the LESSOR-VENDOR to rescind and/or consider null and void this Agreement without need of judicial intervention by giving the LESSEE-VENDEE one hundred eighty (180) days written notice to that effect, which shall be final and binding on the LESSEE-VENDEE, and the LESSEE-VENDEE shall thereupon leave and vacate the project, provided that if LESSEE-VENDEE has subleased portions of the project, LESSEE-VENDEE shall relinquish all its rights and/or interests over the sublease contracts in favor of the LESSOR-VENDOR. LESSEE-VENDEE shall leave all improvements, whether finished or unfinished, in good and serviceable condition immediately after the corresponding notice in writing has been received by the LESSEE-VENDEE, and all said improvements shall automatically belong to and become the property of the LESSOR-VENDOR without liability or obligation on the part of the LESSOR-VENDOR to pay for the value thereof. LESSEE-VENDEE

further holds the LESSOR-VENDOR free and harmless from any and all liabilities arising from and/or connected with such sublease contracts. [3]

Subsequently, on November 3, 1975, MPCP and PIMECO entered into a Supplementary and Loan Agreement, whereby, in consideration of the additional expenditures incurred by MPCP for rehabilitating and refurbishing the meat processing and packing plant, the total contract price of the lease-purchase agreement was increased to P93,695,552.59, payable over a period of twenty-eight years commencing on January 1, 1981, at the annual rental rate of P3,346,269.70.

On March 17, 1986, the PCGG, in a letter signed by then Commissioner Ramon A. Diaz, sequestered all the assets, properties and records of PIMECO. [5] The sequestration included the meat packing plant and the lease-purchase agreement.

MPCP wrote a letter on November 17, 1986 to PIMECO, giving notice of the rescission of the lease-purchase agreement on the ground, among others, of non-payment of rentals of more than P2,000,000.00 for the year 1986.

GSIS asked the PCGG to exclude the meat packing plant from the sequestered assets of PIMECO, inasmuch as the same is owned by MPCP. However, PCGG denied the request. Likewise, MPCP sought the turnover to it of the meat packing plant on the ground that the lease-purchase agreement had already been rescinded. Acceding to this, PCGG passed on January 24, 1989 a resolution stating thus:

WHEREAS, the Presidential Commission on Good Government at its session <u>en banc</u> on September 20, 1988 ordered the transfer of subject property, consisting of a meat packing complex including the land located at Barrio Ugong, Pasig, Metro Manila, to the GSIS under the condition then that the PCGG management team might continue its operations for the purpose of completing the outstanding orders up to December 1988;

WHEREAS, the Government Service Insurance System has shown, to the satisfaction of the Commission, that it owns the said plant complex; that it has the legal and equitable right to regain possession and control thereof; that whatever claim PIMECO had to the complex under its so-called agreement to lease/purchase with GSIS/MPCP has been validly rescinded by the GSIS; and that the projected turn-over to the GSIS will not adversely affect the ill-gotten wealth case pending against crony Peter Sabido before the Sandiganbayan;

WHEREFORE, the turn-over to the GSIS of the said property should be done forthwith upon compliance with these conditions, to be implemented by the Operations and Legal Departments: (a) joint PCGG-COA audit; (b) approval by the Sandiganbayan; and (c) execution of a Memorandum of Agreement to contain these stipulations, among others: (a) that the shares of Peter Sabido in PIMECO are subject to the Sandiganbayan case; (b) that any disposition or transfer by the GSIS of said property or any part thereof shall be with the conformity of the PCGG; and (c) that this Memorandum be annotated on the title of the property. [7]

Meanwhile, PCGG instituted with the Sandiganbayan on July 29, 1987 a complaint for reconveyance, reversion, accounting, restitution and damages, docketed as Civil Case No. 0024, entitled, *Republic of the Philippines, Plaintiff versus Peter Sabido, et al., Defendants*. The complaint alleged, in pertinent part, that Peter Sabido obtained, under favored and very liberal terms, huge loans from the GSIS in favor of PIMECO, among other corporations, which was beneficially held and controlled by defendants Peter Sabido, Roberto S. Benedicto and Luis D. Yulo; and that PIMECO was granted the monopoly to supply meat products in the Greater Manila Area.

Defendant Peter Sabido filed his answer, [9] alleging that the acts, deeds, transactions and contracts referred to in the complaint were negotiated and/or executed by his father, the late Roberto M. Sabido, and not by him; and that, far from being illegal, the acts performed or committed by the late Roberto M. Sabido as a corporate officer of PIMECO were done in good faith, to the best of his ability and in accordance with law, and whatever income he received as an officer of PIMECO and whatever assets or properties he acquired during his lifetime were the fruits of his dedication to his profession, hard work, and honest labor.

On April 28, 1989, defendant Sabido filed with the Sandiganbayan an Urgent Manifestation and Motion, to the effect that he has come across newspaper reports stating that PCGG intends to turn over the management, control and possession of PIMECO to the GSIS and MPCP. Sabido also learned from a reliable source that the PCGG has passed a resolution to implement the said turnover. Hence, Sabido argued that inasmuch as PIMECO was a sequestered asset, the projected turnover must be approved by the Sandiganbayan. He prayed that PCGG be required to admit or deny these matters.

The Sandiganbayan, in a Resolution dated May 4, 1989, ordered the PCGG to submit its comment as to the veracity of the alleged turnover of the management, control and possession of PIMECO to the GSIS or MPCP, and if true, to furnish movant Sabido a copy of the PCGG resolution approving the same.

Meanwhile, on May 20, 1989, Sabido filed an Urgent Manifestation and Motion, [12] alleging that, according to newspaper accounts, PCGG had in fact already turned over the management and operation of PIMECO to the GSIS/MPCP. Thus, he prayed that the transfer of the management, control and possession of PIMECO to GSIS be declared null and void *ab initio* for having been done without the approval of the Sandiganbayan.

Sometime thereafter, the Sandiganbayan received a letter [13] from members of the PIMECO Labor Union, praying for the maintenance of the *status quo* to enable PIMECO to continue its business operations and to ensure their continuity of work and security of tenure. Thus, on June 2, 1989, the Sandiganbayan issued a Resolution, the dispositive portion of which reads:

WHEREFORE, in the interest of justice, and conformably with this Courts adherence to the rule of law, to the end that undue prejudice and/or injury may be avoided to any and all parties affected by these proceedings, especially the avoidance of any cessation in the operations of PIMECO, a temporary restraining order is hereby issued commanding the Presidential Commission on Good Government, their officers, agents, representatives, monitors or persons acting in their behalf or stead, to cease and desist from enforcing the contemplated turnover of the management, control and possession of PIMECO to the Meat Packing Corporation of the Philippines until further orders. In view of the serious issues involved, let the instant incident be re-scheduled for hearing and consideration on June 6, 1989, at 2:30 oclock p.m.

## SO ORDERED.[14]

On June 22, 1989, Sabido filed with the Sandiganbayan a Motion for the Issuance of a Writ of Preliminary Injunction, alleging that the PCGG, in an Order dated May 11, 1989, had ordered that the *status quo* as regards the management and operations of PIMECO be maintained pending submission of inventory and financial audit. However, at the hearings of this incident, it was sufficiently shown that the transfer of PIMECO to MPCP will result in the dissipation of assets which will cause irreparable injury to Sabidos rights and interests in the company in the event that the Sandiganbayan shall ultimately rule that the same was not ill-gotten.

The Sandiganbayan, finding that the PCGG committed grave abuse of authority, power and discretion in unilaterally terminating the lease-purchase agreement of PIMECO with MPCP and in turning over its management, control and operation to the latter, ordered the issuance of a writ of preliminary injunction, to wit:

WHEREFORE, finding the verified application for issuance of a writ of preliminary injunction to be sufficient in form and substance and that after due hearing, it appears that great and irreparable injury will be caused not only to defendant-applicant but also to PIMECO should the acts sought to be enjoined be allowed to be done or performed, accordingly, upon defendant-applicants posting of a bond of P50,000.00, let the corresponding writ of preliminary injunction issue commanding the Presidential Commission on Good Government, its officers, representatives, nominees or agents from proceeding or consummating the projected turnover of PIMECO to the GSIS-MPCP or to interfere with its present management and operations, until further orders of this Court.

# SO ORDERED.[15]

Accordingly, upon the posting of the requisite bond, the Writ of Preliminary Injunction was issued on July 10, 1989, enjoining the Presidential Commission on Good Government, its officers, representatives, nominees or

agents, from proceeding or consummating the projected turn-over of PIMECO to GSIS-MPCP or to interfere with its present management and operations, until further orders from this Court. [16]

PCGG filed a Motion for Reconsideration of the Resolution of June 22, 1989. On August 3, 1989, the Sandiganbayan issued its Resolution, *viz*:

WHEREFORE, premises considered, plaintiffs Motion for Reconsideration (Re: Resolution dated June 22, 1989) dated July 3, 1989 is hereby GRANTED, and the dispositive portion of Our Resolution of June 22, 1989, ordered amended to read as follows:

WHEREFORE, finding the verified application for issuance of a writ of preliminary injunction to be sufficient in form and substance and that after due hearing, it appears that great and irreparable injury will be caused not only to defendant-applicant but also to PIMECO should the acts sought to be enjoined be allowed to be done or performed, accordingly, upon defendant-applicants posting of a bond of P50,000.00, let the corresponding writ of preliminary injunction issue commanding the Presidential Commission on Good Government, its officers, representatives, nominees or agents from proceeding or consummating the projected turnover of PIMECO to the GSIS-MPCP until further orders of this Court and from replacing, dismissing, demoting, reassigning, grounding, or otherwise prejudicing the present members of the PCGG management team in PIMECO, except for valid and serious reasons not attributable to or arising from their objection or opposition to or activities of statements against the said turnover.

### SO ORDERED. [17]

Thereafter, the Sandiganbayan continued to conduct hearings on the issue of the validity of the turn-over of the meat packing plant to GSIS. On November 29, 1989, it issued a Resolution disposing thus:

WHEREFORE, considering the attendant circumstances of the present incident in light of the standard laid down by the Supreme Court, this Court finds and holds:

- (1) That the PCGG gravely abused its discretion when it passed the resolutions dated September 20, 1988, and January 24, 1989, turning over the meat packing complex including the land located at Barrio Ugong, Pasig, Metro Manila, to the GSIS/MPCP (Exh. E).
- (2) That the PCGG commissioner concerned exceeded his authority when he executed the Memorandum of Agreement with MPCP on April 28, 1989, transferring the management and operation of PIMECO to the GSIS/MPCP (Record, pp. 1828-1832).
- (3) That, accordingly, the said turnovers or transfers are declared null and void ab initio, and
- (4) That the PCGG, its commissioners, officers, representatives, and agents are permanently enjoined from implementing the same turnovers or transfers.

## SO ORDERED.[18]

On August 30, 1990, PIMECO filed with the Sandiganbayan a petition, docketed as Civil Case No. 0108, entitled, *Philippine Integrated Meat Corporation (PIMECO)*, *Petitioner versus Meat Packing Corporation of the Philippines (MPCP) and Presidential Commission on Good Government (PCGG)*, *Respondents*, captioned as for Declaratory Relief and Other Similar Remedies (Related to PCGG Case No. 25 and Civil Case No. 0024).

In its petition, PIMECO alleged that from 1981 to 1985, PIMECO has been regularly paying the annual rentals in the amount of P3,346,269.70; and that prior to its sequestration in January 1986, PIMECO was able to pay MPCP the amount of P846,269.70. However, after its sequestration, the PCGG Management Team that took over the plant became erratic and irregular in its payments of the annual rentals to MPCP, thus presenting the danger that PIMECO may be declared in default in the payment of rentals equivalent to three (3) annual

installments and causing the cancellation of the lease-purchase agreement. Hence, PIMECO prayed for a declaration that it is no longer bound by the provisions of the above-quoted paragraph 5 of the lease-purchase agreement.

In the meantime, PCGG tendered to MPCP two checks in the amounts of P3,000,000.00 and P2,000,000.00, or a total of P5,000,000.00, representing partial payment of accrued rentals on the meat packing plant, which MPCP refused to accept on the theory that the lease-purchase agreement had been rescinded. Thus, the PCGG filed an Urgent Motion<sup>[20]</sup> praying that the Sandiganbayan order MPCP to accept the tendered amount of P5,000,000.00.

The Sandiganbayan set the aforesaid Urgent Motion for hearing. On April 3, 1991, MPCP, by special appearance, filed its Comment, alleging that the Sandiganbayan had no jurisdiction over MPCP since it was not a party in Civil Case No. 0024; that its lease-purchase agreement with PIMECO has been rescinded as early as November 19, 1986; and that PIMECO was in arrears in the payment of rentals in the amount of P12,378,171.06, which is more than the equivalent of three cumulative rentals at the annual rate of P3,346,269.70.

On July 2, 1991, the Sandiganbayan issued the first assailed Resolution, as follows:

WHEREFORE, the Court declares that the tender of payment and consignation of P5,000,000.00 in the form of two checks, namely: China Banking Corporation Check No. LIB M 003697 for P3,000,000.00 and Far East Bank and Trust Company Check No. 29A A 021341 for P2,000,000.00, both dated January 30, 1991, and payable to GSIS-MPCP, have been validly made in accordance with law and, accordingly, orders Meat Packing Corporation of the Philippines to accept the payment and issue the corresponding receipt.

### SO ORDERED. [22]

MPCP, still under a special appearance, filed a Motion for Reconsideration of the above Resolution. On November 29, 1991, the Sandiganbayan issued the second assailed Resolution, denying MPCPs Motion for Reconsideration. Said the Sandiganbayan:

When the PCGG sequestered the assets and records of PIMECO, including the lease-purchase agreement over MPCPs meat packing plant, it assumed the duty to preserve and conserve those assets and documents while they remained in its possession and control. That duty did not disappear when the writ was deemed *ipso facto* lifted. On the contrary, it continued until the sequestered assets and records where returned to PIMECO. And in the performance of that duty in order to prevent the cancellation of the lease-purchase agreement by reason of the failure to pay three accumulated yearly rentals-installments, the PCGG made the timely tender of payment and consignation which the Resolution sought to be reconsidered sustained. To rule otherwise would be unfair and unjust to PIMECO considering that during the time the PCGG had possession and control of the sequestered assets and records, PIMECO was not in the position to take steps necessary for the preservation and conservation of those assets and records. [25]

Meanwhile, on December 2, 1991, the Sandiganbayan dismissed Civil Case No. 0108, *i.e.*, the petition for declaratory relief, it appearing that while the unpaid rentals as of January 27, 1991 have reached P7,530,036.21, PCGGs tender of payment and consignation of the amount of P5,000,000.00, which was upheld by the Sandiganbayan in Civil Case No. 0024, averted the accumulation of the unpaid rentals to three yearly rentals-installments. Consequently, the petition for declaratory relief has become moot and academic. [26]

Hence, MPCP brought this petition for certiorari, mandamus and prohibition, arguing in fine that the Sandiganbayan did not have jurisdiction over its person since it was not a party to Civil Case No. 0024; that the Sandiganbayan likewise did not acquire jurisdiction over the person of PIMECO since it has not been served summons; and that the PCGG is in estoppel because it has already admitted in its *en banc* resolutions that the lease-purchase agreement between MPCP and PIMECO has been rescinded. MPCP prays for injunctive relief and for judgment setting aside the assailed Resolutions of the Sandiganbayan; ordering the Sandiganbayan to

deny the PCGGs motion for consignation and to compel MPCP to accept the tendered amount of P5,000,000.00; and prohibiting the Sandiganbayan from accepting any papers or pleadings from PCGG or PIMECO against MPCP in Civil Case No. 0024.

Counsel for Peter Sabido filed his Comment, [27] with the qualification that the same was being filed only on behalf of Sabido, a stockholder of PIMECO, and not on behalf of the corporation. He argued that the Sandiganbayan correctly held that the MPCP voluntarily submitted itself to the courts jurisdiction; that there was a valid consignation made by PCGG; and that the Sandiganbayan did not commit grave abuse of discretion in issuing the assailed resolutions.

PCGG filed its Comment, [28] also contending that MPCP voluntarily submitted itself to the jurisdiction of the Sandiganbayan; and that the consignation was validly made.

Copies of this Courts resolutions were furnished PIMECO at its principal office at 117 E. Rodriguez, Sr. Ave., Barrio Ugong, Pasig City. However, all of these were returned unserved with the notation, RTS Closed. Thus, on June 19, 1995, this Court resolved to dispense with the comment of PIMECO. [30]

The petition, being one for certiorari, mandamus and prohibition, is mainly anchored on the alleged grave abuse of discretion amounting to want of jurisdiction on the part of the Sandiganbayan.

Grave abuse of discretion implies a capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction, or, when the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and it must be so patent and gross as to amount to an evasion of positive duty enjoined or to act at all in contemplation of law. [31] It is not sufficient that a tribunal, in the exercise of its power, abused its discretion; such abuse must be grave. [32]

In the assailed resolutions, the Sandiganbayan approved the consignation by PCGG of the amount of P5,000,000.00 as payment for back rentals or accrued amortizations on the meat packing plant, after the MPCP refused the tender of payment of the same.

Consignation is the act of depositing the thing due with the court or judicial authorities whenever the creditor cannot accept or refuses to accept payment, and it generally requires a prior tender of payment. It should be distinguished from tender of payment. Tender is the antecedent of consignation, that is, an act preparatory to the consignation, which is the principal, and from which are derived the immediate consequences which the debtor desires or seeks to obtain. Tender of payment may be extrajudicial, while consignation is necessarily judicial, and the priority of the first is the attempt to make a private settlement before proceeding to the solemnities of consignation. Tender and consignation, where validly made, produces the effect of payment and extinguishes the obligation.

If the creditor to whom tender of payment has been made refuses without just cause to accept it, the debtor shall be released from responsibility by the consignation of the thing or sum due.

Consignation alone shall produce the same effect in the following cases:

- (1) When the creditor is absent or unknown, or does not appear at the place of payment;
- (2) When he is incapacitated to receive the payment at the time it is due;
- (3) When, without just cause, he refuses to give a receipt;
- (4) When two or more persons claim the same right to collect;
- (5) When the title of the obligation has been lost. [35]

In the case at bar, there was prior tender by PCGG of the amount of P5,000,000.00 for payment of the rentals in arrears. MPCPs refusal to accept the same, on the ground merely that its lease-purchase agreement

with PIMECO had been rescinded, was unjustified. As found by the Sandiganbayan, from January 29, 1986 to January 30, 1990, PIMECO paid, and GSIS/MPCP received, several amounts due under the lease-purchase agreement, such as annual amortizations or rentals, advances, insurance, and taxes, in total sum of P15,921,205.83. Surely, the acceptance by MPCP and GSIS of such payments for rentals and amortizations negates any rescission of the lease-purchase agreement. Parenthetically, the factual findings of the Sandiganbayan are conclusive upon this Court, subject to certain exceptions. The aforesaid factual findings, moreover, have not been disputed by petitioner.

In support of its contention that the lease-purchase agreement has been rescinded, MPCP makes reference to the resolutions of the PCGG turning over to the GSIS the meat packing complex and the land on which it is situated. MPCP argues that PCGG was estopped from taking a contrary position. A closer perusal of the resolutions, however, readily shows that the turn-over was explicitly made dependent on certain conditions precedent, among which was the approval by the Sandiganbayan and the execution of a Memorandum of Agreement between PCGG and MPCP. A Memorandum of Agreement was in fact executed on April 28, 1989, although the same suffers from formal and substantial infirmities. However, no approval was sought from the Sandiganbayan. On the contrary, the Sandiganbayan, in its Resolution declaring the turn-over null and void, refused to honor the PCGG resolutions, reasoning thus:

First, what was approved by the PCGG in its resolutions of September 20, 1988, and January 24, 1989, is the transfer of the meat packing complex including the land located at Barrio Ugong, Pasig, Metro Manila, and not the management and operation of PIMECO. It is, however, the latter that the Memorandum of Agreement, executed on April 28, 1989, pursuant to the said resolutions, transferred to the GSIS.

Second, the second resolution made the turnover of the meat packing complex including the land located at Barrio Ugong, Pasig Metro Manila, upon compliance with these conditions, to be implemented by the [PCGG] Operations and Legal Departments: . . . (b) approval by the Sandiganbayan . . . Until now, however, no motion has been presented to secure that approval, and none can be expected because the same Memorandum of Agreement changed the requirement of approval to (t)he Sandiganbayan shall be advised of this Agreement. Even the advice stipulated has never been given by the PCGG.

Since the Memorandum of Agreement was executed by one PCGG commissioner only, the same cannot validly amend the resolutions passed by the PCGG itself. Consequently, the turnover of the management and operation of PIMECO, which, of course, include the meat packing complex and the land of which it stands, stipulated in the Memorandum of Agreement, cannot be legally enforced. Needless to say, the commissioners should be the first to abide by the PCGGs resolutions. [39]

Under the terms of the lease-purchase agreement, the amount of arrears in rentals or amortizations must be equivalent to the cumulative sum of three annual installments, in order to warrant the rescission of the contract. Therefore, it must be shown that PIMECO failed to pay the aggregate amount of at least P10,038,809.10 before the lease-purchase agreement can be deemed automatically cancelled. Assuming in the extreme that, as alleged by MPCP, the arrears at the time of tender on January 30, 1991 amounted to P12,578,171.00, [40] the tender and consignation of the sum of P5,000,000.00, which had the effect of payment, reduced the back rentals to only P7,578,171.00, an amount less than the equivalent of three annual installments. Thus, with the Sandiganbayans approval of the consignation and directive for MPCP to accept the tendered payment, the lease-purchase agreement could not be said to have been rescinded.

MPCPs chief complaint in its present petition is that it was not a party in Civil Case No. 0024. As such, it alleges that the Sandiganbayan had no jurisdiction over its person and may not direct it to accept the consigned amount of P5,000,000.00. In rejecting this argument, the Sandiganbayan held that Civil Case No. 0024, *i.e.*, the sequestration case, on the one hand, and Civil Case No. 0108, *i.e.*, the petition for declaratory relief in which it was the named respondent, on the other hand, were interrelated since they both involved the sequestered assets of PIMECO. Thus, the titles of both cases appear on the caption of the assailed Resolutions dated July 2, 1991. On this point, the Sandiganbayan further ruled:

While MPCP is not a named party in Civil Case No. 0024, it is in Civil Case No. 0108.